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Military Market

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UPSCALE FROZEN FOODS

SPECIAL REPORT:
Automobile Sound And the Winter CES

CAN DO:
New Products Fuel Canned Meat and Fish Category

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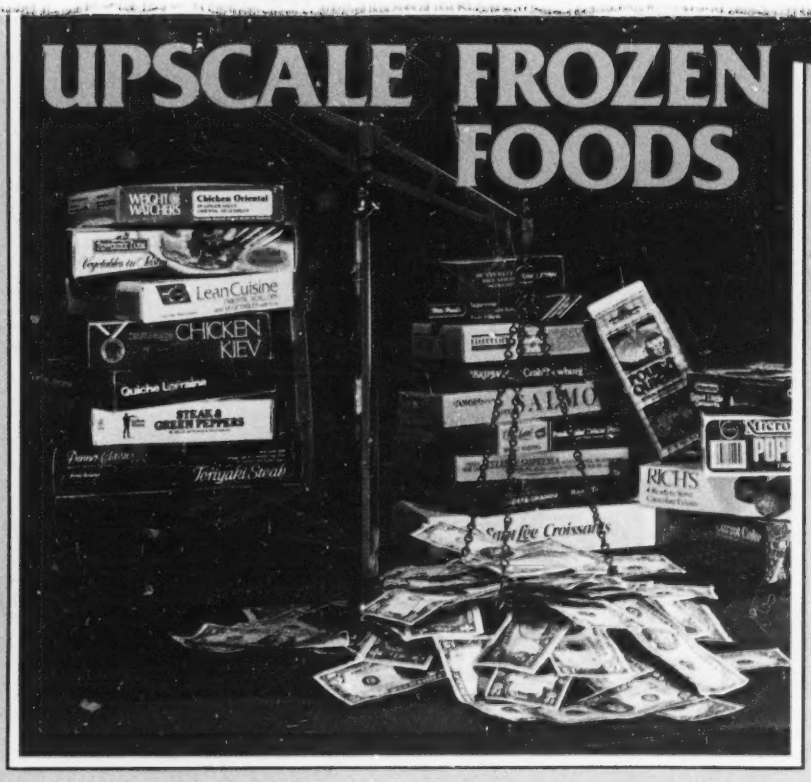
UPSCALE FROZEN FOODS



Although sales for the category overall are still flat, several subcategories — most notably the upscale, high quality products — are showing strong sales gains. Single-serving and "light" products are also helping to lead frozens out of the doldrums.

By GUY LAMOLINARA
Managing Editor

THE FROZEN FOOD aisle is fast becoming a class act.

Consumers are warming up to a new trend: Frozens have gone upscale as Americans become increasingly willing to purchase more costly, higher quality products.

This does not mean, however, that the last year's chill is off for the category as a whole. Sales are still flat: According to SAMI figures for the four weeks ending Oct. 15, 1982, tonnage sales increased by only 0.5 percent, compared with the previous four weeks. Most of this increase was attributable to the upscale products, many of which also fall into the low-calorie and single-dish items.

"The single dish is quite big," Dan Harrison, executive editor of *Frozen Food Age* magazine, tells MILITARY MARKET. "One of the major trends is a very significant upgrading in quality in response to consumer needs.

"The consumer is less willing today to settle for a [lower] level of quality, but he is also looking for value. If they're going to pay a premium price, they want a premium product," he says.

Joanne Delaney, a spokeswoman for the Frozen Food Action Communication Team, a public affairs arm for the industry, tells MILITARY MARKET: "Gourmet frozen food is more upscale. It's good for those who work and can't be bothered with cooking. Even the dessert category is becoming more exotic, with such things as pudding cakes."

Says Marguerite Dannemiller, a spokeswoman for **Stouffer Foods:** "The upscale trend could be for any number of reasons. We have more two-income families, and as a result, two things happen: People have more money to pay for higher quality products in any category, be it food or whatever; they also have less time to fix dinner, but they don't want a meal that's not quite up to par."

Sole Food

As the size of American family shrinks, the desire for single-serving, high quality frozen entrees is surging. "Their [the small family's] needs have been met very efficiently by the frozen foods industry," Delaney says. "Cheesecake for two was unheard of two years ago."

Industry giant **Campbell's Pepperidge Farm** line introduced Deli's in early 1982. The single-portion entrees have been extended to a line of Vegetables in Pastry, which can be eaten as a side dish or an entree.

Campbell's, famous for its compartmentalized low-cost **Swanson** TV dinners, is covering all bases in the upscale market. It is testing a line of dinners, Le Menu, in the Western United States; the dinners are sold under the Swanson logo. The eight varieties include sweet and sour chicken, beef sirloin tips and breast of chicken Parmesan.

"The trend is to high quality products," S.B. Clark, MSM, tells MILITARY MARKET. Scott Rombach, a company spokesman says, "Research showed the $2 billion frozen dinner market was really increasing in the upscale products. Sales were up 37 percent in dollars, and up 20 percent in cases. The total market for dinners alone was only up 11½ percent in dollars, and the case volume was flat. No one was really offering an upscale frozen dinner. Stouffer has the entrees."

Lightening Up

The impact of Stouffer Foods' low-calorie Lean Cuisine is by now history. Encouraged by what company spokeswoman Dannemiller calls "an extremely successful product line," Stouffer is test marketing new varieties: Salisbury steak with Italian-style vegetables, cheese canneloni, and beef and pork canneloni. The products will probably roll out sometime this year, Dannemiller says.

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FROZENS

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"No one can believe how Lean Cusine took off," Delaney says. "People who are not even on diets eat Lean Cuisine."

A company that has always recognized the need for low-calorie frozen foods — and low-calorie foods in general — is taking advantage of the public's increasing obsession with the battle of the bulge. **Foodways National Inc.**, manufacturer of **Weight Watchers** foods, now has 26 frozen meals in its line, in single serving and one-, two- and three-compartment dinners.

Top seller is the lasagna, but the new Southern fried chicken is "strong," says Phyllis Linville, manager of military sales. Some would wonder how fried chicken can ever be low in calories. Linville explains that the skin has been removed and a light breading coats the pieces.

Weight Watchers has somewhat of an edge over its chief competition in the sweet-tooth category. (Stouffer does not offer desserts.) Six dessert items — two cheese-

KITCHENS OF SARA LEE will roll out its French croissants this month. The new croissants will be larger and more delicate than the company's original croissants, which have been in selected areas since 1968.

Nobody knows the celery you've seen.

The perpetual parade of carrots, cucumbers and cottage cheese.

Fortunately, Weight Watchers® can lift you out of the doldrums of dreary diet food. With 26 divine frozen meals.

Like this Lasagna. Loaded with mouth-watering morsels of veal, rich ricotta cheese and spicy tomato sauce.

Juicy Beefsteak smothered in gravy. Pizza with lots of pizzazz.

After all, it's easier for you to say diet when the taste never does.

WEIGHT WATCHERS®
26 FROZEN MEALS.
TRY IT. YOU'LL DIET.

THE TASTE THAT NEVER SAYS DIET.

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cakes, two cobblers, and carrot and apple-raisin cakes — are now being sold in about 60 percent of the country. Linville says these will probably roll out nationally this summer. The desserts are naturally sweetened and have less than 200 calories per serving.

When speaking of Stouffer, Linville tells MILITARY MARKET she is not dismayed by the success of Lean Cuisine. "Both [Weight Watchers and Lean Cuisine] are having tremendous years. Lean Cuisine has brought a lot of interest to the category," she says.

She is also in complete agreement with Harrison, of *Frozen Food Age*, on the industry trends. "There is some good growth in the diet category. The trend is also toward entrees and a high quality product."

The public's buying mood has not escaped savvy seafood marketers. **General Mills' Gorton's** seafood now features a four-item line of Light Recipe fish sticks and filets.

EVEN THOSE ON A DIET can indulge in Weight Watchers' frozen pizzas, which are 400 calories or fewer per serving.

Sweets Turn Sour

Producers of frozen desserts are not as happy as their counterparts down the aisle. "It's hard to pinpoint a reason [why sales are flat], but there are probably three reasons why. People are watching their weight; desserts are expendable. If people are feeling the pinch of the recession, they feel they don't have to buy dessert; and in-store bakeries are also having an effect," Harrison explains.

"It should be noted that there have been some new entries that have helped that category, such as pudding on a stick and pudding-in-the-middle cakes," he says.

Kitchens of Sara Lee is currently the only national manufacturer of these cakes. The newest flavors are banana cake/banana pudding and lemon cake/lemon pudding.

Following the upscale trend is Sara Lee's line of croissants. "The croissant is destined to become the country's premium choice in bread and roll varieties," says Terry L. Moran, communications manager. Available in February 1983 in all butter, cheese, and

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CHICAGO COMPANY PIONEERS ETHNIC CATEGORY

SOUL CHEF'S frozen dinners, available in four varieties, are currently the only frozen soul food dinners being sold nationally. Sales so far are concentrated in the Chicago area.

"THE NEXT TREND in ethnic food will be soul food," sales coordinator Vanessa Blackman matter-of-factly tells MILITARY MARKET. "People are always interested in other types of foods, in trying something different without all the work."

Soul Chef Inc. has been marketing frozen soul food dinners for the past two years to supermarkets. The dinners available are stewed hog maws, stewed pork chitterlings with spaghetti and greens, ham hocks with black-eyed peas and cornbread, and smothered chicken with greens and rice. Canned southern-style vegetables are also sold under the Soul Chef label.

The company is still operating in the red, but sales are encouraging. "Sales have doubled in the past year," Blackman says. "Our sales are concentrated in Chicago, where the company is based. Only recently have we been going to other markets." More than 100 supermarkets in the Chicago metropolitan area handle Soul Chef; these markets are chiefly in predominantly black neighborhoods.

Fort Riley, Kans., is currently the only commissary handling the products, and company sales reps are hard at work to get the products into the number of commissaries necessary for inclusion on the Supply Bulletin. "We are looking for a broker to handle our products," Blackman says.

Soul Chef was started by Kenneth Hennings and his partner Fletcher Smith with only $2000. The company believes there is a $30 million market for these foods. "We just have to get people to try it," Blackman says. — G.L.

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FROZENS

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wheat and honey, the croissants will be sold four to a box and will retail for $1.79. The new croissants are described as differing from the company's original croissants (which have been sold since 1968 in selected markets) as being more authentically French style — more delicate and larger. Another so-called upscale dessert is Sara Lee's New York style cheesecake.

Juices Squeeze Sales

"As a whole, the frozen foods category was relatively flat in 1981," says Harrison.

Frozen seafood is one category segment that has taken a beating as a result of "very high prices," he says. And like frozen dessert makers, frozen seafood producers are facing increasingly stiff competition from fresh seafood departments.

Juice prices also surged in 1981 and 1982, causing sales to suffer with every increase. Interestingly, declining juice sales have had a detrimental effect on the category as a whole.

"Juices are a traffic builder, so it [the decline] has an effect on sales, especially impulse sales," Harrison says. "A lot of people walk into the department to buy juice, and if they buy another [frozen] product, it is usually because they walked down the aisle to buy juice."

The pizza wars between industry leaders **Totino's**, from **Pillsbury**, and **Jeno's** may have hurt — more than helped — sales. Harrison says sales in October 1982 were off 5.7 percent from a year ago.

General Mills is re-entering the fray with an entirely new line of **Chef Saluto** frozen pizzas, which the company calls the first frozen pizza with a partially baked crust. Fresh-Bake will be introduced primarily in the Southwest, Southeast and Midwest. The pizza is packaged with its own disposable pan, which is supposed to result in a crisper crust.

In terms of prices, Delaney says the frozen foods category is especially susceptible to promotional campaigns, including coupons, because of the intense competition for market share. Campbell's Rombach predicts that prices will be "stable" in 1983 because ingredient prices have not increased significantly recently.

Industry experts believe new prosperity is as close as the economic recovery: "There has been an upswing in sales for the past eight consecutive four-week periods. As the economy responds, so will the sales of frozen foods," Harrison believes.

MM

COMMISSARY SALES OF FROZEN FOOD

	WORLDWIDE	DOMESTIC	OVERSEAS
Prepared foods			
Dinners	$23,594,900	$19,900,300	$3,694,600
Entrees	50,049,800	42,399,500	7,650,300
Meat pies	7,252,100	6,172,300	1,079,800
Pizzas	18,079,200	15,282,500	2,796,700
Other specialties	3,166,500	2,704,400	462,100
Bakery products			
Fruit and cream pies	11,173,000	9,553,600	1,619,400
Cakes	10,650,200	9,053,200	1,597,000
Breads, rolls, donuts	5,418,200	4,575,900	842,300
Other	10,127,800	8,611,900	1,515,900
Total	**$139,511,700**	**$118,253,600**	**$21,258,100**

SOURCE: Army Times Research Department. Data for CY 1981.

NEW RAILCAR MAY BOLSTER INDUSTRY

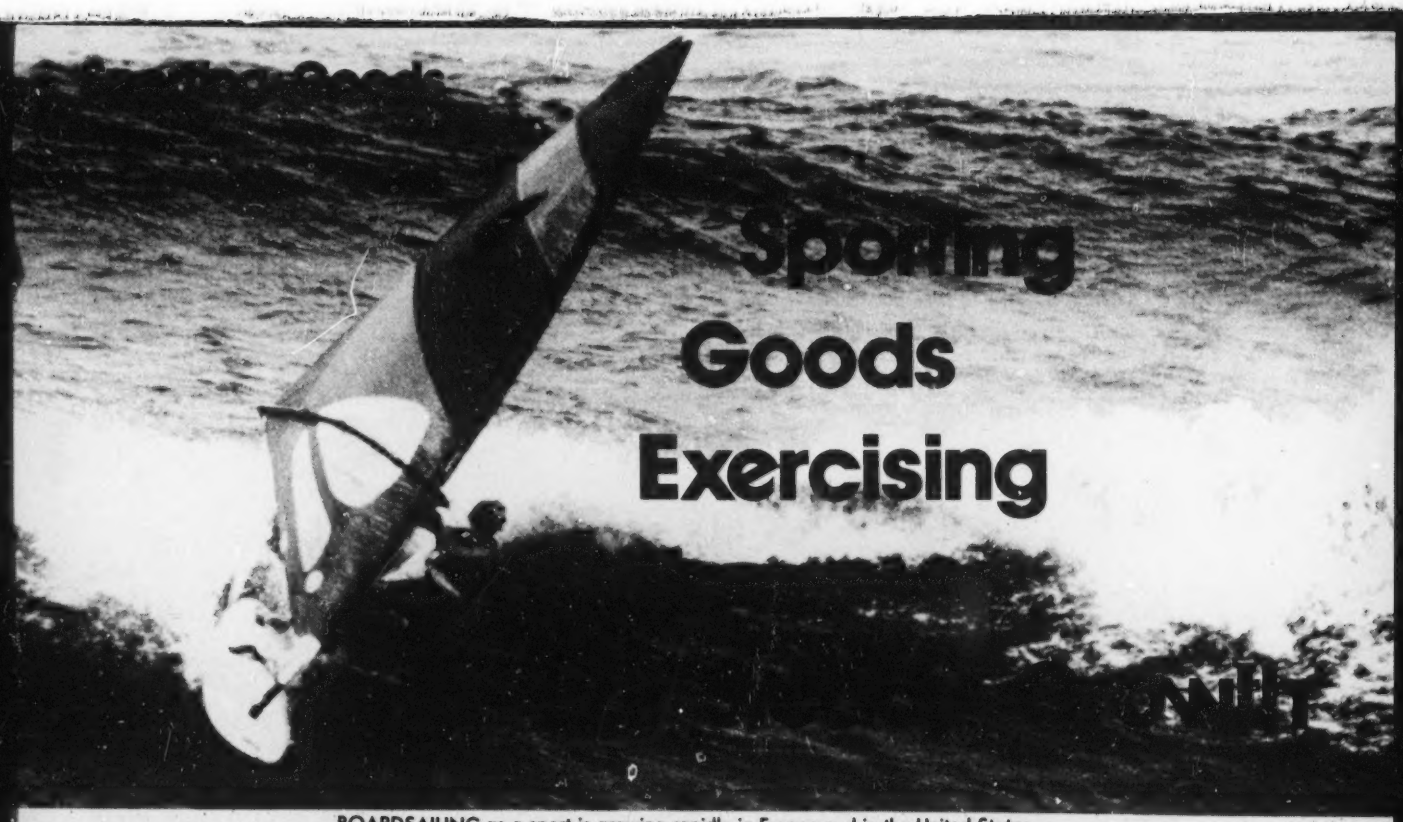
BECAUSE THE NUMBER of refrigerated railcars being removed from service as a result of old age is reaching dangerously high levels, engineering is now under way on a prototype cryogenic railcar that will keep food frozen with dry ice produced from liquid carbon dioxide.

According to *Frozen Food Report* magazine, in 1975 there were 22,000 conventional railcars in service. Last year the number dropped to 15,000 and by 1990 the number is expected to plummet to only 5000.

The Concool system is designed to store liquid carbon dioxide in interconnected storage tanks beneath the car's floor.

Carbon dioxide snow will be deposited on shipments before they leave for their destination. While in transit, additional amounts of snow will be discharged on the products when triggered by an automatic sensor.

Railroads have agreed to help with the initial testing. The new car is expected to be cheaper to operate than the old cars, and also promises to be easier to maintain and replace. Repair and replacement costs have been a growing industry concern since 1975, the point when the supply of refrigerated cars began to dwindle. — G.L.



Sporting Goods Exercising

BOARDSAILING as a sport is growing rapidly in Europe and in the United States.

Some segments of sporting goods show flat or decreasing unit sales but there's real growth apparent in the fishing tackle, exercise equipment and footwear categories.

By DAVID B. COOLEY
Associate Editor

SPORTING GOODS SALES for AAFES are "on target for 1982 — about a seven percent increase over 1981," says Marshall Sitrin, of AAFES' public affairs.

Advertising Age reported earlier this year that the sporting goods industry had a sluggish 1981, but marketers and retailers anticipate industry sales of $12.2 billion in 1982 vs. $11.76 billion in 1981 — an increase of 3.7 percent.

This cautious optimism is being fueled by some penetration of apparel into traditional sporting goods stores, increased sports participation by women and an increased physical fitness orientation in the minds of many Americans. One industry spokesman confirms this as he tells MILITARY MARKET, "Fitness has become an American life style." Additionally, "The cadre of dedicated players prefers to pay more and get quality equipment," says Sitrin.

Many people equate sporting goods solely with the ball sports — golf, tennis, baseball, softball, basketball, football, soccer and the like. But as important as the sales for such equipment are to exchanges, the volume leader within the sporting goods segment is fishing equipment and supplies — evidenced by the fact that they accounted for an estimated 23 percent of all exchange sporting goods sales in 1981.

However, the fastest growing category — the one generating the most excitement, according to several industry spokespersons — is exercise equipment.

Exercising to Fitness

Exercise equipment has not been a large volume item in exchanges *(see chart)*, but sales tend to be on the upswing, as they are in the civilian sector. Industry spokespersons say that the interest in physical fitness and personal appearance continues to be a deciding factor. Running shoes are enjoying a healthy increase in both the civilian and military sectors, though they are not sold in the sporting goods departments in the exchanges, but rather are sold in the shoe departments.

Thomas Doyle, director of information and research at the National Sporting Goods Association, agrees with that consensus as he tells MILITARY MARKET that the most excitement and sales growth within the sporting goods category is in exercise equipment. He said one company, **Gravity Guidance Inc.**, has really jumped on the wagon, or more literally, has climbed on the bar.

Gravity Guidance makes equipment that is used in inversion training — "intermittent traction" — as company spokeswoman Loretta Capitanich refers to it.

One combination of equipment is the boots and bar. This is a set of foam-padded metal bands that fits over the feet and hooks onto a bar. The bar, wedged horizontally in a doorway, provides the base for sets of exercises that are performed while hanging upside down. The company also markets a rotation table, which serves the same function as the bar. It requires more space, but allows more freedom of movement.

"The concept of exercising in the inverted position evolved from a government research study conducted in Florida in 1954," says Capitanich. From that study, the cofounders of the company, the father-and-son-team of Drs. Robert Martin, designed the equipment, which they now manufacture and market.

Sporting Goods

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The equipment is being received so well by the public that Capitanich says it is "almost recession-proof."

Another industry spokesman confirms the idea that exercise equipment is the fastest growing category in sporting goods. His company markets a variety of equipment, including an in-place jogger. This is a trampoline-type device that allows jogging in place without the dangers, discomforts and hazards of jogging outside. He tells MILITARY MARKET that the in-place jogger is "more forgiving on the hip bones than jogging on pavement or grass."

He estimates the size of the exercise equipment market to be "some five or six times that of the market for golf equipment." As the golfers number somewhere between 12 million and 17 million, that places the estimate for the number of fitness buffs as high as 100 million Americans.

Fishing for Profits

Robert Smith, national sales manager at **Shakespeare Co.**, tells MILITARY MARKET that fishing equipment is selling well. "The Shakespeare line (rods, reels, lines and accessories) is the oldest in the industry. We have wide acceptance, quality, and we go from A to Z in price points, including the large rods and reels for saltwater fishing," Smith said.

Shakespeare uses five manufacturing methods for fishing rods and has 30 new models available for 1983. The company has named the stellar fishing rod in its line "the Ugly Stik." In production since 1977, Ugly Stiks are not ugly. They are top-of-the-line fishing rods that combine an inner spiral of graphite with an outer layer of superstrong, superlight fiberglass.

"They have the lightness of graphite and the strength of glass. You can jerk the devil out of them and not break them," Smith said.

One of the more sophisticated items available from Shakespeare is its line of battery-driven electric fishing motors. New in the line for 1983 is the Shakespeare Sigma Supra 280 electric outboard motor, which has eight speed settings — from 2.5 pounds to 28 pounds of thrust — and which has a 360-degree swivel head, easy mounting fore or aft, wear-resistant logic circuit and a built-in night light. Smith jokingly added that they are small and portable. "Everyone has to have one in his tackle box."

Doyle, of the National Sporting Goods Association, echoes the sentiments at Shakespeare. He tells MILITARY MARKET, "Fishing is staging a nice comeback, if license sales are any indicator."

Swing Into Tennis

Tennis continues to be an important segment of sporting goods. "There are some 16 million to 17 million tennis players in the United States, and they are buying better equipment," says Michael Casazza, national accounts manager at **Dunlop Sports Co.**

Dunlop's Black Max line of rackets made of graphite and fiberglass are now its top of the line, though the wooden Maxply line still enjoys popularity among many intermediate to advanced players. The Black Max rackets are lightweight and durable, and are available in midsize and oversize models. Casazza also reports considerable success with its DDH golf ball. The DDH has dimples of varying sizes and is reputed to have better loft.

Doug Rebert, brand manager at **Penn Athletic Products** tells MILITARY MARKET, "Tennis as a participation sport peaked in 1976, but Penn expects slow, steady growth for the next five years." He added, "Most of the current growth in the tennis market is occurring in the Sunbelt, where the playing season is longer."

Penn is an innovator in tennis balls, having invented the yellow ball in 1968, the orange ball in 1972 and the Ikatest yellow-and-orange ball in 1981.

Why the different-colored balls? Penn's research has shown that there is better hand-to-eye coordination when the color of the ball is varied, and that a player's accuracy increases an average of 23 percent with the two-tone ball.

Dunlop, too, has entered the marketplace with a yellow-and-orange tennis ball, although the company's national sales manager tells MILITARY MARKET, "The trend for this two-tone ball has yet to establish itself."

Water Sports

Windsurfing International Inc. began as a garage industry in 1969, and today is a multimillion dollar operation.

Boardsailing is the sport, and a sailboard (surfboard with a sail attached) is the equipment. The surfer places his feet in stirrup-straps, hangs onto a crossbar on the sail, and rides this small craft on the breakers, using his body as a balance bar. Obviously for the younger devotee, this sport has generated international competition in Hawaii in which men's and women's championships were decided last November.

According to *Boating Industry* magazine, boardsailing enthusiasts in Europe far outnumber those in the United States, due in part to a widespread instructional network for newcomers to the sport. As an energy-saving, closer-to-home recreation, *Boating Industry* believes boardsailing will become the sport of the 80s. MM

EXCHANGE SALES OF SPORTING GOODS

	CY 1980	CY 1981
Fishing supplies & equipment	$21,522,237	$20,491,300
Camping supplies & equipment	13,871,473	17,314,000
Tennis and racquet ball	12,119,511	12,074,000
Golf supplies & equipment	8,027,500	8,210,000
Team sports	7,609,040	7,936,200
Hunting supplies & equipment	6,266,053	4,808,380
Water sports	4,823,142	4,935,000
Skiing & winter sports *	4,483,798	4,461,000
Exercise equipment	993,743	2,770,000
Other sporting goods	3,052,951	3,509,600
Total	$84,544,891	$86,509,480

* Includes snowmobiles

SOURCE: Estimates by Army Times Research Department, based on sales of sporting goods departments and subdepartments of the various exchange systems and analysis of purchase orders by the exchange systems.

A MEATY PROBLEM

The canned meat and fish category has had some rough sailing in the last year.

IN RESPONSE to consumer demand for reduced-sodium foods, Ralston Purina has introduced Chicken of the Sea tuna with 50 percent less salt. According to the company, the line extension is the first new tuna product distributed nationally in seven years and will be advertised under the theme "50% less salt, 100% great taste."

By SUSANNE D. WILLIAMS
Associate Editor

FOR THE PAST YEAR, a number of events have been fermenting under the lid of the canned meat and fish category.

While outwardly seeming stable, the category was, and still is, having its share of problems: a new and controversial product introduction; a recall in the salmon industry; slipping sales; and a breakdown in negotiations with Argentina, affecting the pricing of a number of canned meat products.

The picture of stability, particularly in the military market, is tied in part to a lack of change in the range of products offered. NAVRESSO, for instance, reports that the number of line items found in exchanges has remained

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COMMISSARY SALES OF CANNED MEAT AND FISH CY 1981

	DOMESTIC	OVERSEAS	WORLDWIDE
FISH/SEAFOOD	$33,135,000	$7,604,500	$40,739,500
Tuna	23,956,600	5,498,100	29,454,700
Salmon	3,744,300	859,300	4,603,600
Crab	1,002,000	260,900	1,262,900
Shrimp	1,034,500	269,200	1,303,700
Sardines	1,486,800	387,200	1,874,000
Clams	775,700	202,100	977,800
Oysters	290,600	76,100	366,700
All others	844,500	51,600	896,100
MEAT/POULTRY	$37,687,500	$9,075,000	$46,762,500
Plain meats	11,871,600	2,952,100	14,823,700
Meat dishes	4,786,300	1,152,500	5,938,800
Specialty dishes	18,090,000	4,262,500	22,352,500
Italian	6,910,400	1,650,600	8,561,000
Spanish/Mexican	6,494,300	1,552,600	8,046,900
Oriental	4,685,300	1,059,300	5,744,600
Plain poultry	1,624,300	386,500	2,010,800
Prepared poultry	890,200	232,100	1,122,300
All others	425,100	89,300	514,400

SOURCE: Army Times Research Dept.

A MEATY PROBLEM

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the same for the past year. (Commissary figures were not available.)

AAFES exchanges may see an increase in line items now that canned meat and fish are centrally purchased at AAFES Headquarters. "It definitely creates a situation [that allows us] to stock new items," Marshall Sitrin, an AAFES public affairs officer, told MILITARY MARKET.

Yet there is no great influx of new products into the canned meat market. **Libby,** for instance, announced that it added chicken Vienna sausage to its assortment in spring/summer 1982, but sees no changes in the number of line items offered to the military market for 1983.

Plumrose, known for its ham products, and doing best in the military with its two-pound ham imported from Denmark, does not plan any new introductions either. "There might be a new introduction at the end of 1983," the company's MSM said, "but primarily in the civilian market."

The MSM for **Carnation,** which markets its canned meat products under the Swift brand name, also said that the military preference for canned meat items has remained stable. Spreadables, Vienna sausages, luncheon snacks and chili are still the top Swift products in commissaries and exchanges.

Something New and Fishy

The situation looks considerably more volatile in the canned fish category, to which two new products — pilchard and low-salt tuna — have been added.

Port Clyde, which has been offering pilchard under the Holmes brand name exclusively to the military market since November 1981, is marketing its product via a two-pronged approach, stressing price as well as quality. It has launched a substantial educational ad campaign directed toward military shoppers. But the results of the ads "are terrible," the company MSM told MILITARY MARKET. "Shoppers cannot find the products on the shelves."

Initial sales, especially after in-store demos nationwide, were more than encouraging, the MSM said, but later results were disappointing. In San Diego's 32nd Street Navy commissary, for instance, 4800 units were sold within two days, following an in-store demonstration, but the commissary did not reorder. According to the store manager, there was one reorder, but it did not sell well, partially because the couponing effort had stopped. "We got stuck with [the product]," he told MILITARY MARKET.

Port Clyde attributes the absence of reorders and the hesitancy of military buyers to stock the product to a combination of factors involving its broker, the military system and the tuna fish industry.

The first problem could have been solved by the end of last month with a replacement for the company's old broker. The military problem will be tackled by stressing the value of pilchard to system buyers and by launching the product in four civilian markets, which "may act as a vehicle" to renew military interest, the MSM said.

This leaves the company with the question of how to combat the price war that tuna fish companies have reportedly launched to keep the tuna rival off commissary shelves. "The tuna people offered price incentives up to 30¢," Reginald Cure, Port Clyde's VP for marketing and sales, told MILITARY MARKET. "Yet in no way has [the price for] tuna dropped. In addition, price reductions were only done in the military. [The tuna companies] never changed their list price, they just continued to offer VPRs back-to-back. There were enough games played.

"If we had offered pilchard as a price item, the tuna companies would have left us alone," he added. But by stressing the value of pilchard and educating consumers to its nutritional properties, the company thinks it has invited the wrath of big-name tuna suppliers. One of the tuna market giants, for instance, is the world's largest processor of pilchard, the VP said.

But the company does not sell the fish in the U.S. market — nor does it seem to want a pilchard competitor. "They won't kill the goose that lays golden eggs," Cure said.

According to one tuna industry source, pilchard accounts for only 0.5 percent of domestic canned fish sales and thus does not pose a threat to the tuna industry. "We don't pay any attention to it at all," he said. He also saw little hope for a major pilchard success in commissaries, particularly since the fish is offered "with practically no advertising." Asked about the lowered tuna prices, he stated that the price drop — "We followed our competitors" — was the result of a glut of tuna. He said his company lowered the list price for tuna and offered a number of VPRs.

Yet civilian retail sources indicated that tuna had, in effect, gone up in price last year because of a shortage of the product and increasing labor and equipment costs.

Meanwhile, **Ralston Purina** and **Starkist** have launched sodium-reduced extensions of their tuna lines. Starkist's Starkist Select boasts a 60 percent reduction of the fish's salt content and Ralston Purina's Chicken of the Sea line claims to have 50 percent less salt than its regular products.

The Starkist Select line was introduced in the civilian and military markets during the summer, whereas the Chicken of the Sea 50% Less Salt line — 135 milligrams sodium per two-ounce serving — was put on commissary shelves in September/October, a few weeks after its civilian debut. It is too soon to comment on its reception in the marketplace, a Ralston Purina spokeswoman told MILITARY MARKET, but the company is confident that the new line extensions are in tune with consumer interest in low-sodium foods. "That's the key right there," the spokeswoman said.

Both companies' reduced-salt content chunk light products are available in 6.5-ounce cans and packed in vegetable oil or spring water. But it is not a change of packing medium that accounts for the decrease in sodium, the Ralston Purina spokeswoman said. "We use tuna that is lower in salt. It tends to be a larger fish, al-

though we don't specifically fish for bigger tuna. We have a procedure in our processing plant to test the tissue [of the fish]."

Troubled Waters

Tuna is undoubtedly the single biggest selling item in the military canned fish and seafood category, accounting for roughly two-thirds of all sales. Yet nationwide sales have been dropping, a spokesman for the National Marine Fisheries Service told MILITARY MARKET. "The tuna pack is down substantially, 19 percent alone between January and October 1982," he said. "Inventories are reported to be very high. When that happens, companies usually cut back their production."

Part of the problem is tuna's high price, caused by enormous fishing costs. Although the price of fuel has leveled off or even declined, "it still takes a lot of fuel to go down off the coast of South America," the Fisheries spokesman said. Currently, U.S. boats are still barred from fishing for tuna in closer-by Mexican waters, a situation that prompted a U.S. embargo on Mexican tuna.

Salmon, tuna's distant competitor for canned fish consumers' preference, is swimming in even more precarious waters. A nationwide recall of 7¾-ounce cans, caused by reports on salmon-based occurences of botulism, "definitely has had an impact," the editor of *Seafood Business Report* told MILITARY MARKET.

And "yes, it did have an effect on AAFES," the system's spokesman said, "but [the sales situation] is recovering, although not back to where it was." NAVRESSO salmon was recalled as well, but a commissary spokesman was not willing to assess its effect. "That would be speculation," he said. "I would have to guess."

The Fisheries spokesman confirmed that "sales are extremely slow. The recall had a lot to do with it, although sales were even slow when the botulism incidents occurred.

"Catches of the red and pink salmon have not been as great as we thought they would be," he said. Although he cautioned that catch estimates tend to be off by substantial amounts — "the fish have a lot to say about it" — estimates are necessary to determine the number of cans needed in Alaska to process the fish. Thus, "bad estimates are still better than none."

According to the editor of *Seafood Business Report*, tall reds (one-pound cans of red salmon) are practically sold out, but sockeye halfs (usually 7¾-ounce cans of salmon) as well as 1979 inventory are still being offered. 1983 salmon movements will depend on the new catch, which could come in as early as July.

The Alaska Seafood Marketing Institute is prepared to counteract salmon's tarnished reputation with a $3 million promotional campaign, an industry expert said. It also reported that a nationwide consumer study, conducted after the recall, showed that 94 percent of shoppers have no hesitation about buying canned salmon, and that the recall did not have a lasting negative effect.

South of the Border

Diseases of a different kind are often a fact of life in the canned meat category, especially for those meats imported from countries with hoof-and-mouth disease. Currently affected are Denmark (for pork) and most South American countries (for beef); affected countries regularly cook their meat to kill the microorganisms before shipping it to the United States for further processing. In addition, local and U.S. health inspectors assure that the meat is safe before being shipped north.

U.S. meat processors depend on Latin American beef, especially for corned beef, since domestic beef is not suitable for canning. "Our country produces fat carcass," a spokesman for the National Meat Canners Association told MILITARY MARKET. "We prefer leaner meat for manufacturing."

Until now, trade agreements between Argentina and the United States have kept import tariffs at a low 3.5 percent, but a recent failure by Argentina to comply with the agreement's provisions will jack up duties for corned beef imports to pre-agreement levels. While the United States had consented to "reduce its duty on corned beef" in the 1979 agreement, it now states that the rate of duty will remain in effect until Oct. 30, 1983, at which time it will revert to 7.5 percent.

The higher duties will also have an impact on corned beef coming from other Latin American countries, particularly Brazil, the major supplier. Brazil has benefited from the U.S.-Argentina trade agreement through the most-favored-nation clause, but will be equally affected by Argentina's failure to live up to the agreement because of balance-of-payment problems, a spokeswoman for the U.S. Trade Representative's Office told MILITARY MARKET.

For American meat processors as well as consumers, the duty increase will translate into higher prices for canned corned beef products. Furthermore, Carnation announced that all canned meat items will increase in price in 1983. Beef stew, a company spokesman said, had already priced itself out of market popularity when its retail price hit $1.

Price increases might also come from Libby and Plumrose, although they are not expected until the end of the year. Hardest hit might be corned beef products, which are the top canned meat sellers in Navy commissaries.

In themselves, the price hikes might not be an immediate cause for alarm. According to the Libby spokeswoman, canned meat sales are in direct relation to the prices for fresh meat: When fresh meat prices go up, canned meat sales increase; if fresh meat prices go down, canned meat prices slow down.

Overall, canned meat sales have declined somewhat, a number of sources said, but the military market remains rather stable. Popular are small cans of snack meats that military personnel can take into the field to supplement their diets. **Armour,** for instance, has equipped practically its whole line with easy-open cans, making it "particularly valuable for the single G.I.," according to the company MSM. The popularity of single-serving canned products in the military might also explain NAVRESSO's recent addition of tuna fish products with pull-top lids.

Although the economy is blamed in part for reduced sales in the canned meat and fish categories, none of the sources contacted by MILITARY MARKET expressed serious concern. "Our sales growth has been less in the military [than in the civilian market]," one company spokesman said. "But a great deal of potential is there."

MM

Military Market INDEX

COMMISSARIES

		OCTOBER			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AIR FORCE	CONUS	$145,228	$143,329	+1.32	$1,382,131	$1,303,340	+6.05
	OVERSEAS	29,658	28,657	+3.49	277,402	264,825	+4.75
	TOTAL	174,886	171,986	+1.69	1,659,533	1,568,165	+5.83
ARMY	CONUS	115,336	104,832	+10.02	1,010,464	957,160	+5.57
	OVERSEAS	32,240	31,408	+2.65	301,496	283,872	+6.21
	TOTAL	147,576	136,240	+8.32	1,311,960	1,241,032	+5.72
NAVY	CONUS	53,615	54,966	-2.46	512,509	489,784	+4.64
	OVERSEAS	6,150	6,464	-4.86	59,975	58,845	+1.92
	TOTAL	59,765	61,430	-2.71	572,484	548,629	+4.35
MARINES	CONUS	11,325	11,351	-0.23	108,965	104,545	+4.23
	OVERSEAS	190	183	+3.83	1,786	1,656	+7.85
	TOTAL	11,515	11,534	-0.16	110,751	106,201	+4.28
COAST GUARD	CONUS	237	219	+8.22	2,765	4,343	—*
	OVERSEAS	228	124	+83.87	1,877	2,089	-10.15
	TOTAL	465	343	+35.57	4,642	6,432	—*
ALL COMMISSARIES	CONUS	325,741	314,697	+3.51	3,016,834	2,859,172	+5.51
	OVERSEAS	68,466	66,836	+2.44	642,536	611,287	+5.11
	TOTAL	$394,207	$381,533	+3.32	$3,659,370	$3,470,459	+5.44
GROCERY STORES	U.S.[1]	$19.747 bil.	$19.274 bil.	+2.45	$190.465 bil.	$181.106 bil.	+5.17

EXCHANGES

AAFES	CONUS	$220,661	$201,225	+9.66	$2,172,317	$1,972,757	+10.12
	OVERSEAS	163,372	136,928	+19.31	1,477,965	1,344,569	+9.92
	TOTAL	384,033	338,153	+13.57	3,650,282	3,317,326	+10.04
NAVY	CONUS[2]	89,892	89,922	-0.03	836,464	833,257	+0.38
	OVERSEAS[2]	36,977	33,692	+9.75	341,676	308,389	+10.79
	TOTAL[2]	126,869	123,614	+2.63	1,178,140	1,141,646	+3.20
MARINES	CONUS	28,008	27,707	+1.09	274,766	254,837	+7.82
	OVERSEAS	4,167	4,216	-1.16	45,611	38,984	+17.00
	TOTAL	32,175	31,923	+0.79	320,377	293,821	+9.04
COAST GUARD	CONUS[3]	6,133	5,212	+17.67	59,128	58,282	+1.45
	OVERSEAS[3]	684	581	+17.73	6,592	6,500	+1.42
	TOTAL[3]	6,817	5,793	+17.68	65,720	64,782	+1.45
MAIL ORDER	CONUS[4]	947	730	+29.73	10,144	7,281	+39.32
	OVERSEAS[4]	3,192	3,312	-3.62	36,860	30,121	+22.37
	TOTAL[4]	4,139	4,042	+2.40	47,004	37,402	+25.67
ALL EXCHANGES	CONUS	345,641	324,796	+6.42	3,352,819	3,126,414	+7.24
	OVERSEAS	208,392	178,729	+16.60	1,908,704	1,728,563	+10.42
	TOTAL	$554,033	$503,525	+10.03	$5,261,523	$4,854,977	+8.37
DEPARTMENT STORES	U.S.[1]	$9.162 bil.	$8.965 bil.	+2.20	$80.517 bil.	$77.242 bil.	+4.24

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

*Not comparable because of Sept. 1, 1981, conversion of commissary at Petaluma to NAF status.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

NOTE

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